

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: APR 05 2004

SOUTH CAROLINIANS FOR RESPONSIBLE
GOVERNMENT
5000 THURMOND MALL STE 307
COLUMBIA, SC 29201

Employer Identification Number:

54-2123292

DLN:

17053288098003

Contact Person:

DALE T SCHABER

ID# 31175

Contact Telephone Number:

(877) 829-5500

Internal Revenue Code

Section 501(c)(4)

Accounting Period Ending:

December 31

Form 990 Required:

Yes

Addendum Applies:

No

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in the section indicated above.

Unless specifically excepted, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) for each employee to whom you pay \$100 or more during a calendar year. And, unless excepted, you are also liable for tax under the Federal Unemployment Tax Act for each employee to whom you pay \$50 or more during a calendar quarter if, during the current or preceding calendar year, you had one or more employees at any time in each of 20 calendar weeks or you paid wages of \$1,500 or more in any calendar quarter. If you have any questions about excise, employment, or other Federal taxes, please address them to this office.

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt From Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than \$25,000. However, if you receive a Form 990 package in the mail, please file the return even if you do not exceed the gross receipts test. If you are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally \$25,000 or less, and sign the return.

If a return is required, it must be filed by the 15th day of the fifth

Letter 948 (DO/CG)

21 3-30-04

SOUTH CAROLINIANS FOR RESPONSIBLE

month after the end of your annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding \$1,000,000 in any year, the penalty is \$100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding \$1,000,000 shall not exceed \$50,000. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You are required to make your annual information return, Form 990 or Form 990-EZ, available for public inspection for three years after the later of the due date of the return or the date the return is filed. You are also required to make available for public inspection your exemption application, any supporting documents, and your exemption letter. Copies of these documents are also required to be provided to any individual upon written or in person request without charge other than reasonable fees for copying and postage. You may fulfill this requirement by placing these documents on the Internet. Penalties may be imposed for failure to comply with these requirements. Additional information is available in Publication 557, Tax-Exempt Status for Your Organization, or you may call our toll free number shown above.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Donors may not deduct contributions to you because you are not an organization described in section 170(c) of the Code. Under section 6113, any fundraising solicitation you make must include an express statement (in a conspicuous and easily recognizable format) that contributions or gifts to you are not deductible as charitable contributions for Federal income tax purposes. This provision does not apply, however, if your annual gross receipts are normally \$100,000 or less, or if your solicitations are made to no more than ten persons during a calendar year. The law provides penalties for failure to comply with this requirement, unless failure is due to reasonable cause.

If we have indicated in the heading of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

Because this letter could help resolve any questions about your exempt

Letter 948 (DO/CG)

-3-

SOUTH CAROLINIANS FOR RESPONSIBLE

status, you should keep it in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Lois G. Lerner
Lois G. Lerner
Director, Exempt Organizations
Rulings and Agreements

Letter 948 (DO/CG)

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: APR 05 2004

SOUTH CAROLINIAN FOR RESPONSIBLE
GOVERNMENT
C/O SUSAN LEAHY
1001 PENNSYLVANIA AVE NW 6TH FLR
WASHINGTON, DC 20004-2582

Employer Identification Number:
54-2123292
DLN:
1705328800803
Contact Person:
DALE T SCHABER ID# 31175
Contact Telephone Number:
(877) 829-5500
Internal Revenue Code
Section 501(c)(4)
Accounting Period Ending:
December 31
Form 990 Required:
Yes
Addendum Applies:
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Because this letter could help resolve any questions about your exempt

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SOUTH CAROLINIANS FOR RESPONSIBLE

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We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Lois G. Lerner

Lois G. Lerner
Director, Exempt Organizations
Rulings and Agreements

Letter 948 (DO/CG)

17053288008003

Form 8718
(Rev. November 2002)
Department of the Treasury
Internal Revenue Service

User Fee for Exempt Organization Determination Letter Request

▶ Attach this form to determination letter application.
(Form 8718 is NOT a determination letter application.)

OMB No. 1545-1798
For IRS Use Only
Control number
Amount paid 500
User fee screener EH

1 Name of organization
South Carolinians for Responsible Government

2 Employer Identification Number
54-2123292

Caution: Do not attach Form 8718 to an application for a pension plan determination letter. Use Form 8717 instead.

3 Type of request

Fee

- ☐ a Initial request for a determination letter for:
- An exempt organization that has had annual gross receipts averaging not more than \$10,000 during the preceding 4 years, or
 - A new organization that anticipates gross receipts averaging not more than \$10,000 during its first 4 years . . . ▶ **\$150**
- Note: If you checked box 3a, you must complete the Certification below.**

Certification

I certify that the annual gross receipts of _____
name of organization
have averaged (or are expected to average) not more than \$10,000 during the preceding 4 (or the first 4) years of operation.
Signature ▶ Title ▶

- ☒ b Initial request for a determination letter for:
- An exempt organization that has had annual gross receipts averaging more than \$10,000 during the preceding 4 years or
 - A new organization that anticipates gross receipts averaging more than \$10,000 during its first 4 years . . . ▶ **\$500**
- ☐ c Group exemption letters ▶ **\$500**

Instructions

The law requires payment of a user fee with each application for a determination letter. The user fees are listed on line 3 above. For more information, see Rev. Proc. 2002-8, 2002-1, I.R.B. 252.

Check the box or boxes on line 3 for the type of application you are submitting. If you check box 3a, you must complete and sign the certification statement that appears under line 3a.

Attach to Form 8718 a check or money order payable to the "United States Treasury" for the full amount of the user fee. If you do not include the full amount, your application will be returned. Attach Form 8718 to your determination letter application.

Where To File

Send the determination letter application and Form 8718 to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send the application and Form 8718 to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want your organization to be recognized as tax-exempt by the IRS, you are required to give us this information. We need it to determine whether the organization meets the legal requirements for tax-exempt status.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6104.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is 5 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. Do not send this form to this address. Instead, see Where To File above.

Attach Check or Money Order Here

POSTMARK

RECEIVED

OCT 10 '03

OCT 14 '03

CINCINNATI
SERVICE CENTER

**Power of Attorney
and Declaration of Representative**

► See the separate instructions.

OMB No. 1545-0150

For IRS Use Only

Received by:

Name _____

Telephone _____

Function _____

Date ____/____/____

Part I Power of Attorney (Type or print.)

1 Taxpayer Information. Taxpayer(s) must sign and date this form on page 2, line 9.

Taxpayer name(s) and address

South Carolinians for Responsible Government
5000 Thurmond Mall Suite 307
Columbia, SC 29201

Social security number(s)

Employer identification
number

54-2123292

Daytime telephone number

Plan number (if applicable)

hereby appoint(s) the following representative(s) as attorney(s)-in-fact:

2 Representative(s) must sign and date this form on page 2, Part II.

Name and address

Susan Leahy
1001 Pennsylvania Avenue NW 6th Fl
Washington, DC 20004-2582

CAF No. 8006-31360R

Telephone No. 202-624-7286

Fax No. 202-624-7222

Check if new: Address ☐

Telephone No. ☐

Name and address

Susan Cobb
1001 Pennsylvania Avenue NW 6th Fl
Washington, DC 20004-2582

CAF No. 2605-05623R

Telephone No. 202-624-7344

Fax No. 202-624-7222

Check if new: Address ☐

Telephone No. ☐

Name and address

CAF No. _____

Telephone No. _____

Fax No. _____

Check if new: Address ☐

Telephone No. ☐

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

3 Tax matters

Type of Tax (Income, Employment, Excise, etc.) or Civil Penalty (See the instructions for line 3.)	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s)
501(c)(4)	SS-4, 1024	2003 - 2004

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4. Specific uses not recorded on CAF. ☐

5 Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I (we) can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The authority does not include the power to receive refund checks (see line 6 below), the power to substitute another representative, the authority to execute a request for a tax return, or a consent to disclose tax information unless specifically added below, or the power to sign certain returns. See the instructions for Line 5. Acts authorized.

List any specific additions or deletions to the acts otherwise authorized in this power of attorney: _____

Note: In general, an unenrolled preparer of tax returns cannot sign any document for a taxpayer. See Revenue Procedure 81-38, printed as Pub. 470, for more information.

Note: The tax matters partner of a partnership is not permitted to authorize representatives to perform certain acts. See the separate instructions for more information.

6 Receipt of refund checks. If you want to authorize a representative named on line 2 to receive. BUT NOT TO ENDORSE OR CASH, refund checks, initial here _____ and list the name of that representative below.

Name of representative to receive refund check(s) ►

For Paperwork Reduction and Privacy Act Notice, see the separate instructions.

SA
STF FED-4675F.1

Form **2848** (Rev. 1-2002)

2848 (Rev. 1-2002)

- Notices and communications. Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2 unless you check one or more of the boxes below.
- a. If you want the first representative listed on line 2 to receive the original, and yourself a copy, of such notices or communications, check this box. ☐
 - b. If you also want the second representative listed to receive a copy of such notices and communications, check this box. ☐
 - c. If you do not want any notices or communications sent to your representative(s), check this box. ☐
- Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here ☐
- YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.**

9. Signature of taxpayer(s). If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

► IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.

Todd D. McCauley 9/19/03 TREASURER
Signature Date Title (if applicable)

Todd D. McCauley
Print Name

Signature Date Title (if applicable)

Print Name

Part II Declaration of Representative

Caution: Students with a special order to represent taxpayers in Qualified Low Income Taxpayer Clinics or the Student Tax Clinic Program, see the separate instructions for Part II.

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Treasury Department Circular No. 230 (31 CFR, Part 10), as amended, concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a. Attorney — a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b. Certified Public Accountant — duly qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c. Enrolled Agent — enrolled as an agent under the requirements of Treasury Department Circular No. 230.
 - d. Officer — a bona fide officer of the taxpayer's organization.
 - e. Full-Time Employee — a full-time employee of the taxpayer.
 - f. Family Member — a member of the taxpayer's immediate family (i.e., spouse, parent, child, brother, or sister).
 - g. Enrolled Actuary — enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Service is limited by section 10.3(d)(1) of Treasury Department Circular No. 230).
 - h. Unenrolled Return Preparer — an unenrolled return preparer under section 10.7(c)(1)(viii) of Treasury Department Circular No. 230.

► IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED.

Designation — Insert above letter (a-h)	Jurisdiction (state) or Enrollment Card No.	Signature	Date
a	VA, DC	<u>Susan A. Cobb</u>	<u>8/22/03</u>
a	DC		<u>10/9/03</u>

Form **1024**
(Rev. September 1998)
Department of the Treasury
Internal Revenue Service

**Application for Recognition of Exemption
Under Section 501(a)**

17053288008003

OMB No. 1545-0057

If exempt status is approved,
this application will be open
for public inspection.

Read the instructions for each Part carefully. A User Fee must be attached to this application.
If the required information and appropriate documents are not submitted along with Form 8718 (with payment
of the appropriate user fee), the application may be returned to the organization.
Complete the Procedural Checklist on page 6 of the instructions.

Part I. Identification of Applicant (Must be completed by all applicants; also complete appropriate schedule.)
Submit only the schedule that applies to your organization. Do not submit blank schedules.

Check the appropriate box below to indicate the section under which the organization is applying:

- ☐ a Section 501(c)(2) — Title holding corporations (Schedule A, page 7)
☒ b Section 501(c)(4) — Civic leagues, social welfare organizations (including certain war veterans organizations), or local associations of employees (Schedule B, page 8)
☐ c Section 501(c)(5) — Labor, agricultural, or horticultural organizations (Schedule C, page 9)
☐ d Section 501(c)(6) — Business leagues, chambers of commerce, etc. (Schedule C, page 9)
☐ e Section 501(c)(7) — Social clubs (Schedule D, page 11)
☐ f Section 501(c)(8) — Fraternal beneficiary societies, etc., providing life, sick, accident, or other benefits to members (Schedule E, page 13)
☐ g Section 501(c)(9) — Voluntary employees' beneficiary associations (Parts I through IV and Schedule F, page 14)
☐ h Section 501(c)(10) — Domestic fraternal societies, orders, etc., not providing life, sick, accident, or other benefits (Schedule E, page 13)
☐ i Section 501(c)(12) — Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations (Schedule G, page 15)
☐ j Section 501(c)(13) — Cemeteries, crematoria, and like corporations (Schedule H, page 16)
☐ k Section 501(c)(15) — Mutual insurance companies or associations, other than life or marine (Schedule I, page 17)
☐ l Section 501(c)(17) — Trusts providing for the payment of supplemental unemployment compensation benefits (Parts I through IV and Schedule J, page 18)
☐ m Section 501(c)(19) — A post, organization, auxiliary unit, etc., of past or present members of the Armed Forces of the United States (Schedule K, page 19)
☐ n Section 501(c)(25) — Title holding corporations or trusts (Schedule A, page 7)

POSTMARK

RECEIVED

OCT 10 '03

OCT 14 '03

CINCINNATI

RECEIVED

1a Full name of organization (as shown in organizing document)

2 Employer identification number (EIN) (if none, see Specific Instructions on page 2)

South Carolinians for Responsible Government

54-2123292

1b c/o Name (if applicable)

3 Name and telephone number of person to be contacted if additional information is needed

1c Address (number and street)

Room/Suite

5000 Thurmond Mall

307

1d City, town or post office, state, and ZIP + 4. If you have a foreign address, see Specific Instructions for Part I, page 2.

Columbia, SC 29201

Susan Leahy

202-624-7286

1e Web site address

4 Month the annual accounting period ends

5 Date incorporated or formed

N/A

December

July 23, 2003

6 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? ☐ Yes ☒ No
If "Yes," attach an explanation.

7 Has the organization filed Federal income tax returns or exempt organization information returns? ☐ Yes ☒ No
If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.

8 Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING.

- a ☒ Corporation — Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also attach a copy of the bylaws.
b ☐ Trust — Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.
c ☐ Association — Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence that the organization was formed by adoption of the document by more than one person. Also include a copy of the bylaws.

If this is a corporation or an unincorporated association that has not yet adopted bylaws, check here ☐

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization, and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

PLEASE
SIGN
HERE

(Signature)

(Type or print name and title or authority of signer)

(Date)

For Paperwork Reduction Act Notice, see page 5 of the instructions.

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SIFED2181F.1

220 0034

Part II. Activities and Operational Information (Must be completed by all applicants)

1. Provide a detailed narrative description of all the activities of the organization — past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

See attached statement, Exhibit A.

2. List the organization's present and future sources of financial support, beginning with the largest source first.
Applicant foresees that its financial support shall be derived largely from individuals and corporate donors.

South Carolinians for Responsible Government
EIN: 54-2123292

Exhibit A
Form 1024, Part II, line 1 - Activities and Operational Information

The Applicant is a nonprofit educational organization. Its activities are dedicated to furthering its educational purpose of promoting limited government ideas to residents of South Carolina.

Applicant will inform, educate and rally South Carolinians to restore a more responsible government by promoting limited government ideas. It shall undertake a wide range of public education activities to ensure that it reaches the broadest spectrum of the public. Applicant will sponsor conferences, seminars, mailings and a web site to provide information in support of fewer government controls and regulations, lower taxes, and less government spending. Applicant's educational activities will also advocate sound public policy which allows parents more freedom when choosing where they want their children educated.

Applicant may engage in legislative activity, analyzing legislation or other policy developments, monitor meetings, distribute fax and email alerts, work with policymakers to draft legislation, and compile evaluations and analyses of state activities. Applicant seeks to make solid, credible, and substantial contributions to the public debate on the issue of limited government.

The extent of activities is largely dependent on Applicant's ability to raise funds.

The above activities will initially be carried by the Board of Directors of Applicant. They will also carry out all initial fundraising activities. Activities will be carried out at the office of Applicant in Columbia, South Carolina.

Part II. Activities and Operational Information (continued)

3. Give the following information about the organization's governing body:

a. Names, addresses, and titles of officers, directors, trustees, etc.	b. Annual compensation
Thomas Swatzel - Director and President 375 Vaux Hall Avenue Murrells Inlet, SC 29576	0
Todd D. McCauley - Director and Treasurer 101 Big Leaf Circle Columbia, SC 29229	0
Joseph P. Johnson - Director and Secretary 173 Red Tail Hawk Loop Pawleys Island, SC 29585	0

4. If the organization is the outgrowth or continuation of any form of predecessor, state the name of each predecessor, the period during which it was in existence, and the reasons for its termination. Submit copies of all papers by which any transfer of assets was effected. Not applicable.

5. If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees). Not applicable.

6. If the organization has capital stock issued and outstanding, state: (1) class or classes of the stock; (2) number and par value of the shares; (3) consideration for which they were issued; and (4) if any dividends have been paid or whether your organization's creating instrument authorizes dividend payments on any class of capital stock.
Not applicable.

7. State the qualifications necessary for membership in the organization; the classes of membership (with the number of members in each class); and the voting rights and privileges received. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Submit copies of any membership solicitation material. Attach sample copies of all types of membership certificates issued.
Not applicable.

8. Explain how your organization's assets will be distributed on dissolution.
Upon dissolution, the net assets remaining after payment or provision for debts or obligations shall be distributed for charitable and educational purposes.

Part II. Activities and Operational Information (continued)

- 9 Has the organization made or does it plan to make any distribution of its property or surplus funds to shareholders or members? ☐ Yes ☒ No
If "Yes," state the full details, including: (1) amounts or value; (2) source of funds or property distributed or to be distributed; and (3) basis or, and authority for, distribution or planned distribution.
- 10 Does, or will, any part of your organization's receipts represent payments for services performed or to be performed? ☐ Yes ☒ No
If "Yes," state in detail the amount received and the character of the services performed or to be performed.
- 11 Has the organization made, or does it plan to make, any payments to members or shareholders for services performed or to be performed? ☐ Yes ☒ No
If "Yes," state in detail the amount paid, the character of the services, and to whom the payments have been, or will be, made.
- 12 Does the organization have any arrangement to provide insurance for members, their dependents, or others (including provisions for the payment of sick or death benefits, pensions, or annuities)? ☐ Yes ☒ No
If "Yes," describe and explain the arrangement's eligibility rules and attach a sample copy of each plan document and each type of policy issued.
- 13 Is the organization under the supervisory jurisdiction of any public regulatory body, such as a social welfare agency, etc.? ☐ Yes ☒ No
If "Yes," submit copies of all administrative opinions or court decisions regarding this supervision, as well as copies of applications or requests for the opinions or decisions.
- 14 Does the organization now lease or does it plan to lease any property? ☒ Yes ☐ No
If "Yes," explain in detail. Include the amount of rent, a description of the property, and any relationship between the applicant organization and the other party. Also, attach a copy of any rental or lease agreement. (If the organization is a party, as a lessor, to multiple leases of rental real property under similar lease agreements, please attach a single representative copy of the leases.)
Applicant subleases an office from the LEAD Foundation, which is unrelated to Applicant. A copy of the sublease is attached.
- 15 Has the organization spent or does it plan to spend any money attempting to influence the selection, nomination, election, or appointment of any person to any Federal, state, or local public office or to an office in a political organization? ☐ Yes ☒ No
If "Yes," explain in detail and list the amounts spent or to be spent in each case.
- 16 Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? ☐ Yes ☒ No
If "Yes," attach a recent copy of each.

Part III. Financial Data (Must be completed by all applicants)

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

A. Statement of Revenue and Expenses

Revenue		(a) Current Tax Year	3 Prior Tax Years or Proposed Budget for Next 2 Years			(e) Total
		From 7/03 To 12/03	(b) 2004	(c) 2005	(d) _____	
1	Gross dues and assessments of members . . .					
2	Gross contributions, gifts, etc.	500,000	800,000	1,200,000		2,500,000.00
3	Gross amounts derived from activities related to the organization's exempt purpose (attach schedule) (Include related cost of sales on line 9.)					
4	Gross amounts from unrelated business activities (attach schedule) . . .					
5	Gain from sale of assets, excluding inventory items (attach schedule)					
6	Investment income (see page 3 of the instructions)					
7	Other revenue (attach schedule)					
8	Total revenue (add lines 1 through 7)	500,000.00	800,000.00	1,200,000.00		2,500,000.00
Expenses						
9	Expenses attributable to activities related to the organization's exempt purposes	405,000	648,000	972,000		2,025,000.00
10	Expenses attributable to unrelated business activities					
11	Contributions, gifts, grants, and similar amounts paid (attach schedule)					
12	Disbursements to or for the benefit of members (attach schedule) . . .					
13	Compensation of officers, directors, and trustees (attach schedule) . . .	25,000	40,000	60,000		125,000.00
14	Other salaries and wages					
15	Interest					
16	Occupancy	3,000	5,000	6,000		14,000.00
17	Depreciation and depletion					
18	Other expenses (attach schedule)	50,000	80,000	120,000		250,000.00
19	Total expenses (add lines 9 through 18)	483,000.00	773,000.00	1,158,000.00		2,414,000.00
20	Excess of revenue over expenses (line 8 minus line 19)	17,000.00	27,000.00	42,000.00		86,000.00

B. Balance Sheet (at the end of the period shown)

		Current Tax Year as of 9/03	
Assets			
1 Cash		1	0
2 Accounts receivable, net		2	0
3 Inventories		3	0
4 Bonds and notes receivable (attach schedule)		4	0
5 Corporate stocks (attach schedule)		5	0
6 Mortgage loans (attach schedule)		6	0
7 Other investments (attach schedule)		7	0
8 Depreciable and depletable assets (attach schedule)		8	0
9 Land		9	0
10 Other assets (attach schedule)		10	0
11 Total assets		11	0.00
Liabilities			
12 Accounts payable		12	0
13 Contributions, gifts, grants, etc., payable		13	0
14 Mortgages and notes payable (attach schedule)		14	0
15 Other liabilities (attach schedule)		15	0
16 Total liabilities		16	0.00
Fund Balances or Net Assets			
17 Total fund balances or net assets		17	
18 Total liabilities and fund balances or net assets (add line 16 and line 17)		18	0.00

If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation. ☐

Schedule B**Organizations described in Section 501(c)(4) (Civic leagues, social welfare organizations (including posts, councils, etc., of veterans' organizations not qualifying or applying for exemption under section 501(c)(19)) or local associations of employees.)**

- 1 Has the Internal Revenue Service previously issued a ruling or determination letter recognizing the applicant organization (or any predecessor organization listed in question 4, Part II of the application) to be exempt under section 501(c)(3) and later revoked that recognition of exemption on the basis that the applicant organization (or its predecessor) was carrying on propaganda or otherwise attempting to influence legislation or on the basis that it engaged in political activity? ☐ Yes ☒ No
If "Yes," indicate the earliest tax year for which recognition of exemption under section 501(c)(3) was revoked and the IRS district office that issued the revocation.
- 2 Does the organization perform or plan to perform (for members, shareholders, or others) services, such as maintaining the common areas of a condominium; buying food or other items on a cooperative basis; or providing recreational facilities or transportation services, job placement, or other similar undertakings? ☐ Yes ☒ No
If "Yes," explain the activities in detail, including income realized and expenses incurred. Also, explain in detail the nature of the benefits to the general public from these activities. (If the answer to this question is explained in Part II of the application (pages 2, 3, and 4), enter the page and item number here.)
- 3 If the organization is claiming exemption as a homeowners' association, is access to any property or facilities it owns or maintains restricted in any way? ☐ Yes ☒ No
If "Yes," explain.
- 4 If the organization is claiming exemption as a local association of employees, state the name and address of each employer whose employees are eligible for membership in the association. If employees of more than one plant or office of the same employer are eligible for membership, give the address of each plant or office.
Not applicable

South Carolinians for Responsible Government
EIN: 54-2123292
Form 1024, Part III Line 18

Attachment B

Line 18 - Schedule of estimated expenses:

Fiscal year	2003	2004	2005
Travel expenses	31,000	54,500	76,000
Utilities and cellular phones	2,000	2,000	5,000
Internet service	1,000	1,000	1,500
Office furniture	10,000	15,000	25,000
Equipment and software	5,000	5,000	7,500
Courier and express mail	1,000	2,500	5,000
Total:	50,000	80,000	120,000

FILED

JUL 23 2003

SOUTH CAROLINIANS FOR RESPONSIBLE GOVERNMENT *Mark Hammond*
SECRETARY OF STATE 4

Articles of Incorporation
— South Carolina Nonprofit Corporation

Pursuant to Section 33-31-202 of the South Carolina Code of Laws, as amended, the undersigned corporation submits the following information:

FIRST: The name of the nonprofit corporation is: South Carolinians for Responsible Government (hereinafter referred to as the "Corporation").

SECOND: The Corporation will not have members.

THIRD: The initial registered office is: 5000 Thurmond Mall, Suite 307, Columbia, South Carolina 29201.

FOURTH: The name of the initial registered agent is: Todd D. McCauley, who is a resident of South Carolina and maintains an office at the same address as the registered office of the Corporation.

FIFTH: The Corporation is a mutual benefit corporation.

SIXTH: The Corporation shall be organized and operated exclusively for social welfare and educational purposes. Solely in furtherance thereof, the Corporation shall be dedicated to informing, educating and rallying South Carolinians to restore a more responsible government by promoting limited government ideas. The Corporation shall seek to increase public awareness and knowledge of policy options through ongoing issue education efforts. The Corporation is not organized or operated for private profit or benefit; it shall not have the power to issue certificates of stock or pay dividends; no part of its net earnings shall inure to the benefit of, upon dissolution or otherwise, any private individual; provided, however, the Corporation is authorized to pay reasonable compensation for personal services actually rendered.

SEVENTH: The name and address of the incorporator are as follows: Susan Leahy, 1001 Pennsylvania Avenue, NW 6th Floor, Washington, DC 20004.

EIGHTH: The initial Board of Directors shall be appointed by the Incorporator. The successor directors shall be elected by the directors. Procedures for elections shall be set forth in the Bylaws.

NINTH: The Corporation shall have perpetual existence. Upon dissolution of the Corporation, the net assets remaining after the payment or provision for debts or obligations shall be distributed for social welfare and educational purposes.

CERTIFIED TO BE A TRUE AND CORRECT COPY
AS TAKEN FROM AND COMPARED WITH THE
ORIGINAL ON FILE IN THIS OFFICE

JUL 23 2003

Mark Hammond
SECRETARY OF STATE OF SOUTH CAROLINA

Susan Leahy
Susan Leahy, Incorporator

July 18, 2003
Date

I hereby consent to the appointment as registered agent of the Corporation.

Todd D. McCauley
Todd D. McCauley, Registered Agent

7/14/03
Date

:3002541

BYLAWS
OF
SOUTH CAROLINIANS FOR RESPONSIBLE GOVERNMENT

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BYLAWS OF SOUTH CAROLINIANS FOR RESPONSIBLE GOVERNMENT

ARTICLE I

OFFICES

Section 1. **Principal Office.** The principal office of SOUTH CAROLINIANS FOR RESPONSIBLE GOVERNMENT (hereinafter referred to as the "Corporation") shall be located in South Carolina. The Corporation may from time to time have such other offices as the Board of Directors may determine or as the affairs of the Corporation may require.

Section 2. **Registered Office.** The Corporation shall have and continuously maintain in South Carolina, a registered office and a registered agent whose office is located in such registered office. The registered office may be, but need not be, located in the principal office of the Corporation. The address of the registered office may from time to time be changed by the Board of Directors.

ARTICLE II

DIRECTORS

Section 1. **Powers and Qualifications.** The policies of the Corporation shall be determined, and its affairs shall be managed, by its Board of Directors. The directors shall act only as a Board of Directors, or as a committee thereof; individual directors shall have no power as such. Directors need not be citizens of the United States, nor residents of South Carolina.

Section 2. Number. The number of directors of the Corporation shall be three. Such number may be increased or decreased from time to time by the Board of Directors within such limits; however, no decrease shall reduce the term of any incumbent director.

Section 3. Election. Directors shall be elected at the annual meeting of the Board of Directors by majority vote of the members of the Board.

Section 4. Term. Except as provided in Section 7 of this Article, directors shall serve for a term of one year and until their successors are elected and qualified, or until their earlier resignation, removal, or death.

Section 5. Resignations. Any director may resign at any time by notifying the Board of Directors in writing. Such resignation shall take effect at the time specified therein. Acceptance by the Board of Directors of such resignation shall not be necessary to make it effective.

Section 6. Removal. Directors may be removed from office at any time, with or without cause, upon a majority vote of the Board of Directors at a meeting called for that purpose. Notice of the intent to remove a director shall be served personally or sent to each director by mail or telegram addressed to his last known address at least seven (7) days before the time designated for such meeting.

Section 7. Vacancies. Vacancies in the Board of Directors shall be deemed to exist in the event of the resignation, removal, or death of a director, or in the event of an increase in the number of directors. Any such vacancy shall be filled by a majority vote of the remaining members of the Board of Directors, though less than a quorum. A director elected to fill a vacancy shall hold office for the unexpired term of his predecessor. In the case of an increase in the number of directors, a director shall hold office until the next annual meeting.

MEETINGS OF THE BOARD OF DIRECTORS

Section 8. **Location of Meetings.** All meetings of the Board of Directors may be held within or without South Carolina and may be held by means of telephone conference.

Section 9. **Annual Meeting.** The annual meeting of the Board of Directors shall be held at such time and place as shall be determined by the Board of Directors and designated in the notice or waiver of notice of the meeting.

Section 10. **Regular Meetings.** Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by the Board of Directors.

Section 11. **Call of Special Meetings.** The president may call, or upon the request of a majority of the members of the Board of Directors, the secretary shall call, special meetings of the Board of Directors.

Section 12. **Notice of Special Meetings.** Notwithstanding the requirements of Section 6 of this Article, notice of special meetings of the Board of Directors shall be in writing, signed by the president, or the secretary, and shall be served personally or sent to each director by mail or telegram addressed to his last known address at least two (2) days before the time designated for such meeting. Notice of special meetings shall state the time and place of the meeting; the purpose or purposes of such meetings need not be specified, unless otherwise required in the Articles of Incorporation or these Bylaws.

Section 13. **Waiver of Notice.** Whenever notice is required to be given to any director under the provisions of the South Carolina Nonprofit Corporation Act, the Articles of Incorporation, or these Bylaws, a waiver thereof in writing, signed by the person or persons

entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Such waiver need not specify the purpose or purposes of the meeting.

Section 14. Quorum. A majority of the directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, unless otherwise required by the South Carolina Nonprofit Corporation Act, the Articles of Incorporation, or these Bylaws. However, if a quorum is not present at any meeting of the Board of Directors, those directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 15. Action by Majority Vote. Except as required by the South Carolina Nonprofit Corporation Act, the Articles of Incorporation, or these Bylaws, any action by a majority of the directors present at a meeting at which a quorum is present shall be deemed the action of the Board of Directors.

Section 16. Action by Written Consent. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

COMMITTEES

Section 17. Designation. The Board of Directors may from time to time designate one-third (1/3) of their number, but not less than two (2) directors, to constitute an executive committee. The Board of Directors may also designate from time to time two (2) or more directors to serve on such other committee or committees as deemed necessary and proper. The Board of Directors shall have the power at any time to: (i) designate a member of such

committee as its chairman; (ii) fill vacancies; (iii) change the membership; or, (iv) discharge a committee.

Section 18. Powers. Each committee shall have, and may exercise, such powers not inconsistent with the South Carolina Nonprofit Corporation Act, the Articles of Incorporation, or these Bylaws, as authorized by the Board of Directors. The designation of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed upon it or him by law. The members of a committee shall act only as a committee.

Section 19. Term. Members of a committee shall serve for a term of three (3) years, until their successors are appointed, or until their earlier resignation, removal with or without cause, or death, or until the committee shall sooner be terminated.

Section 20. Meetings. Meetings of a committee may be held within or without South Carolina, and may be held by means of telephone conference. A majority of any such committee may fix the time and place of its meetings. Each committee shall keep records of its actions, and report such actions to the Board of Directors and the president.

Section 21. Quorum. A majority of the then serving members of any committee shall constitute a quorum. Any action of the majority of those present at a meeting at which a quorum is present shall be deemed the action of the committee, except when a committee has only two (2) members, then any action must be by unanimous consent.

ARTICLE III

OFFICERS

Section 1. Designation. The officers of the Corporation shall consist of a president, a secretary, and a treasurer, and may include one (1) or more vice presidents, and such other officers, assistant officers, and agents as may be deemed necessary, each to have such duties and authority as are provided in these Bylaws, or as the Board of Directors may from time to time determine. Any two (2) or more offices may be held by the same person, except the offices of president and secretary.

Section 2. Election. The officers shall be elected by the Board of Directors immediately following the election of directors at the annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient.

Section 3. Term. Officers shall serve for a term of one (1) year, until the next annual meeting of the Board of Directors and until their successors are elected and qualified, or until their earlier resignation, removal, or death.

Section 4. Resignations. Any officer may resign at any time by notifying the Board of Directors in writing. Such resignation shall take effect at the time specified therein. Acceptance by the Board of Directors of such resignation shall not be necessary to make it effective.

Section 5. Removal. Any officer may be removed, either with or without cause, by a majority vote of the Board of Directors at any regular or special meeting.

Section 6. Vacancies. A vacancy in any office caused by resignation, removal, or death may be filled for the unexpired term of the predecessor in office by the Board of Directors at any regular or special meeting.

Section 7. President. The president shall have general supervision over the affairs of the Corporation, and shall perform all duties incident thereto and have such power as may from time to time be assigned by the Board of Directors.

Section 8. Vice President. The vice president, if one shall be elected, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 9. Secretary. The secretary shall: (i) act as secretary of all meetings of the Board of Directors and of such other committees as the Board of Directors shall specify; (ii) keep the minutes thereof in the proper book or books; (iii) see that the reports, statements, and other documents required by law are properly kept and filed; and, (iv) in general, perform all the duties incident to the office of secretary and such related duties as may from time to time be assigned by the Board of Directors or the president. The books, records, and papers, in the hands of secretary shall at all times be subject to the inspection, supervision, and control of the Board of Directors and the president. At the expiration of his term of office, the secretary shall turn over to his successor in office all books, records, papers, and other properties of the Corporation.

Section 10. Treasurer. The treasurer shall: (i) collect and keep an account of all moneys received and expended for the use of the Corporation; (ii) deposit sums received by the Corporation in the name of the Corporation in such depositories as shall be approved by the

Board of Directors; (iii) present reports of the finances of the Corporation at each annual meeting when called upon by the president; and, (iv) perform such related duties as shall be directed by the Board of Directors or the president. The funds, books, and vouchers in the hands of the treasurer shall at all times be subject to the inspection, supervision, and control of the Board of Directors and the president. At the expiration of his term of office, the treasurer shall turn over to his successor in office all books, records, monies, and other properties of the Corporation.

Section 11. Other Officers. Other officers elected or appointed by the Board of Directors shall, in general, perform such duties and have such powers as shall be assigned to them by the Board of Directors or the president.

ARTICLE IV

COMPENSATION OF DIRECTORS AND OFFICERS

Section 1. Compensation of Directors. Directors shall not receive any compensation for their services as such; however, the Board of Directors may authorize reimbursement for all expenses incurred in connection with the performance of services for the Corporation, including but not limited to attendance at annual, regular, or special meetings of the Corporation. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 2. Compensation of Officers. Salaries or other compensation of the officers may be fixed from time to time by the Board of Directors, provided that such salaries and compensation shall not be excessive in amount and shall be for services which are reasonable and necessary for performance of the Corporation's purposes.

ARTICLE V

LIABILITY AND INDEMNIFICATION

Section 1. Liability. In the absence of fraud or bad faith, the directors of the Corporation shall not be personally liable for its debts, obligations, or liabilities.

Section 2. Indemnification. The Corporation shall indemnify any director or officer, or former director or officer, against expenses incurred in connection with the defense of any action, suit, or proceeding in which he is made a party by reason of being, or having been, such director or officer, to the maximum extent permitted by law. Such indemnification shall not be deemed exclusive of any other rights to which such director or officer may be entitled, under any Bylaw, agreement, vote of the Board of Directors, or otherwise.

Section 3. Prohibition Against Self-Dealing. Anything contained in this Article to the contrary notwithstanding, the Corporation shall in no event indemnify any person otherwise entitled to such indemnification if such indemnification would constitute "self-dealing" as defined in Section 4941 of the Internal Revenue Code of 1986, as amended.

ARTICLE VI

GENERAL PROVISIONS

Section 1. Grants. The Board of Directors may prospectively or retroactively authorize any officer or officers, agent or agents, in the name, and on behalf, of the Corporation, and in the administration of an approved program, to make any grants or contributions or provide financial assistance to any qualified individuals or organizations.

Section 2. Execution of Contracts. The Board of Directors, except as otherwise provided in these Bylaws, may prospectively or retroactively authorize any officer or officers, agent or agents, in the name, and on behalf, of the Corporation, to enter into any contract, or execute and deliver any instrument as may be necessary to carry out the purposes of the Corporation. Any such authority may be general or confined to specific instances.

Section 3. Loans. The Board of Directors may authorize the president or any other officer or agent of the Corporation to: (i) obtain loans and advances at any time for the Corporation from any bank, trust company, firm, corporation, individual, or other institution; (ii) make, execute, and deliver promissory notes, bonds, or other certificates or evidences of indebtedness of the Corporation; and (iii) pledge and hypothecate, or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority conferred by the Board of Directors may be general or confined to specific instances. No loans shall be made by the Corporation to any director or officer thereof.

Section 4. Gifts. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the purposes of the Corporation.

Section 5. Investments. The Corporation shall have the right to invest and reinvest any funds held by it according to the judgment of the Board of Directors. The Board of Directors is restricted to the prudent investments which a director is or may hereafter be permitted by law to make.

Section 6. Voting of Securities Held by the Corporation. Stocks and other securities owned by the Corporation shall be voted, in person or by proxy, as the Board of Directors may

specify. In the absence of any direction by the Board of Directors, such stocks and securities shall be voted as the president may determine.

Section 7. Books and Records. There shall be kept at the principal office of the Corporation, correct books of accounts of all the business and transactions of the Corporation.

Section 8. Depositories. The funds of the Corporation not otherwise employed shall from time to time be deposited to the order of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select, or as may be selected by any one (1) or more officers or agents of the Corporation to whom such power may from time to time be delegated by the Board of Directors.

Section 9. Signatories. All checks, drafts, and other orders for payment of money out of the funds of the Corporation, and all notes and other evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the treasurer and countersigned by the president of the Corporation.

Section 10. Annual Audit. The Board of Directors may require an annual audit be made of the books and accounting records of the Corporation.

Section 11. Fiscal Year. The fiscal year of the Corporation shall begin on the calendar year unless otherwise determined by resolution of the Board of Directors.

Section 12. Corporate Seal. The Corporation may have a corporate seal with its name, year of incorporation, and the words "Corporate Seal, South Carolina" inscribed thereon. The seal shall be in the custody of the secretary and used by him, or any other officer so authorized

by the Board of Directors, by causing it, or a facsimile thereof, to be impressed, affixed, or reproduced otherwise on any instrument or document as may be required by law, these Bylaws, the Board of Directors, or president. The presence or absence of the seal on any instrument, or its addition thereto, shall not affect the character, validity, or legal effect of the instrument in any respect.

ARTICLE VII

AMENDMENTS

Section 1. Articles of Incorporation. The Articles of Incorporation, or any one (1) or more of the provisions thereof, may be amended, by a two-thirds (2/3) vote of the directors then in office at a meeting of the Board of Directors expressly called for that purpose. Notice of the intent to amend the Articles of Incorporation shall be given in accordance with Article II, Section 12 hereof.

Section 2. Bylaws. These Bylaws, or any one (1) or more of the provisions thereof, may be altered, amended, or repealed and new Bylaws adopted by a two-thirds (2/3) vote of the directors then in office at a meeting of the Board of Directors expressly called for that purpose. Notice of the intent to alter, amend, or repeal and adopt new Bylaws shall be given in accordance with Article II, Section 12 hereof.

ARTICLE VIII

EFFECT OF PROVISIONS OF LAW AND CERTIFICATE OF INCORPORATION

Each of the provisions of these Bylaws shall be subject to and controlled by specific provisions of the South Carolina Nonprofit Corporation Act or the Articles of Incorporation which relate to their subject matter, and shall also be subject to any exceptions or more specific provisions dealing with the subject matter appearing in these Bylaws, as amended from time to time.

POWELL
GOLDSTEIN
FRAZER &
MURPHY LLP
ATTORNEYS AT LAW

ATLANTA ■ WASHINGTON
RESIDENT IN WASHINGTON OFFICE
DIRECT DIAL: (202) 624-7286
SLEAHY@PGFAL.COM

October 9, 2003

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

**Re: *South Carolinians for Responsible Government;
IRS Form 1024 – Exemption Application
EIN: 54-2123292***

To Whom It May Concern:

Enclosed herewith is the Application for Recognition of Exemption Under Section 501(a) of the Internal Revenue Code (IRS Form 1024) for South Carolinians for Responsible Government (the "Applicant"). The Applicant, a South Carolina nonprofit corporation, is organized and shall be operated exclusively for educational purposes. Applicant is not seeking recognition of exemption under IRC 501(c)(3), since a portion of its activities may include attempts to influence legislation. Educational organizations that engage in legislative activities may qualify for exemption under IRC 501(c)(4).

A. Documents Furnished

Applicant is submitting the following documentation in support of its exemption application:

- IRS Form 2848, Power of Attorney;
- IRS Form 8718 and applicable user fee;
- Completed IRS Form 1024;
- Sublease with LEAD Foundation;
- Applicant's Articles of Incorporation; and
- Applicant's Bylaws.

1001 Pennsylvania Avenue, NW Sixth Floor Washington, DC 20004
Tel: (202) 347-0066 Fax: (202) 624-7222
www.pgfm.com

B. Statement of Authorities in Support of Applicant's Application for Exemption

Section 501(c)(4) of the Internal Revenue Code grants exemption in relevant part to "civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare."

The regulations provide that an organization is operated exclusively for the promotion of social welfare "if it is primarily engaged in promoting in some way the common good or general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements." Reg. 1.501(c)(4)-1(a)(2).

In Rev. Rul. 68-656, 1968-2 C.B. 216, the IRS held that an educational organization organized and operated to inform the public by educational methods on a subject of public interest and concern may be exempt under section 501(c)(4) of the Code even though the subject evokes controversy and even though the organization advocates a particular viewpoint and seeks changes in the law to reflect such viewpoint.

In Rev. Rul. 76-81, 1976-1 C.B. 156, the IRS held that an organization formed to educate the public on the subject of abortions, promote the rights of the unborn, and support legislative and Constitutional changes to restrict women's access to abortion qualifies for exemption under IRC 501(c)(4).

See also, Rev. Rul. 67-293, 1967-2 C.B. 185, and Rev. Rul. 71-530, 1971-2 C.B. 237.

C. South Carolinians for Responsible Government

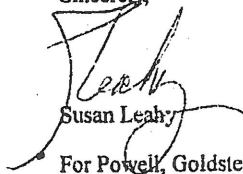
As more fully set forth in the accompanying IRS Form 1024, the Applicant is a social welfare organization described in section 501(c)(4). Applicant's principal activity will be to educate the public on responsible government by promoting limited government ideas. Applicant will educate South Carolinians about limited government through conferences, seminars, lectures, mailings and a web site.

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MURPHY LLP

Internal Revenue Service
Re: South Carolinians for Responsible Government
October 9, 2003
Page 3

If you need additional information to process this exemption application and issue the requested determination letter, please contact the undersigned.

Sincerely,

A handwritten signature in dark ink, appearing to read "Leahy", is written over the printed name "Susan Leahy".

For Powell, Goldstein, Frazer & Murphy LLP

:3036781

SUBLEASE AGREEMENT

THIS SUBLEASE Agreement (the "Sublease") is made as of this 7th day of October, 2003 by and between LEAD Foundation, a Virginia nonprofit corporation ("Sublandlord") and South Carolinians for Responsible Government, a South Carolina nonprofit corporation ("Subtenant").

WITNESSETH:

WHEREAS, by Agreement of Lease dated July 1, 2003 (the "Prime Lease"), O.C. Two, Inc., ("Landlord") leased to Sublandlord approximately 208 rentable square feet in suite 304 of office space on the third (3rd) floor (the "Premises") of the building having a street address of 5000 Thurmond Mall, Columbia, South Carolina (the "Building").

WHEREAS, Subtenant desires to sublet the Premises from Sublandlord under the terms and conditions set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby confirmed, the parties hereto, for themselves, their successors and assigns, mutually covenant and agree as follows:

1. Premises. Sublandlord does hereby sublease to Subtenant, and Subtenant does hereby sublease from Sublandlord, for the term and upon the conditions hereinafter provided, the entire Premises leased to Sublandlord by Landlord pursuant to the Prime Lease. The Premises are shown on Exhibit C to the Prime Lease, a copy of which is attached hereto.
2. Condition of Premises. Sublandlord hereby subleases to Subtenant and Subtenant hereby subleases from Sublandlord, the Premises in its "as-is" condition existing on the date possession is delivered to Subtenant, without requiring any "Landlord's Work", alterations, improvements, repairs or decorations to be made by Sublandlord or at Sublandlord's expense and there is no allowance or reimbursement available from Landlord or Sublandlord, either at the time possession of the Premises is given to Subtenant or during the entire term of the Sublease; In connection therewith, Subtenant represents that it has thoroughly examined the Building and the Premises.
3. Term. The term of this Sublease shall commence upon the date that Sublandlord tenders possession of the Premises to Subtenant, which shall occur between July 1, 2003 and August 31, 2003 and shall expire as set forth in the Prime Lease. Sublandlord shall provide notice to Subtenant of the date Sublandlord intends to vacate the Premises not less than thirty (30) days prior to such vacation.
4. Base Rent and Additional Rent. Upon commencement of the term of this Sublease, Subtenant shall pay to Sublandlord, the base Rent and Additional Rent set forth in the Prime Lease. Notwithstanding the provisions of the Prime Lease,

Subtenant shall pay such amount to Sublandlord, such payments to be received by Sublandlord not later than five (5) business days prior to the date such amount is to be paid to Landlord under the Prime Lease. Base Rent and Additional Rent for any partial month during which the term of this Sublease commences or terminates shall be prorated on a daily basis based upon the actual number of days of the Sublease term elapsed in the subject month.

5. Deposit. Simultaneously with the execution of this Sublease, Subtenant shall deposit with Sublandlord the sum of Four Hundred Sixteen Dollars (\$416.00). The deposit provided for herein shall be considered as security for the payment and performance by Subtenant of all of Subtenant's obligations, covenants, conditions and agreements under this Sublease. In the event of any default by Subtenant hereunder, Sublandlord shall have the right, but shall not be obligated, to apply all or any portion of the deposit to cure such default, in which event Subtenant shall be obligated to promptly deposit with Sublandlord that portion of the deposit used to cure such default. Said deposit shall not be deemed liquidated damages and application of the deposit to reduce Sublandlord's damages shall not preclude Sublandlord from recovering additional damages incurred by Sublandlord. Provided that there are no uncured events of default under the terms of this Sublease, said deposit will be returned to Subtenant within thirty (30) days of the expiration of the term of this Sublease, less any amounts utilized to cure Subtenant defaults(s) which were not restored by Subtenant as set forth above.
6. Insurance. Subtenant shall obtain and maintain all insurance types and coverage as specified in the Prime Lease to be obtained and maintained by the "Tenant." All policies of insurance obtained by Subtenant shall name Landlord and Sublandlord as additional insureds thereon in accordance with the Prime Lease. Subtenant's insurance shall be primary over Landlord's and Sublandlord's insurance. In addition to the requirement for delivery of insurance certificates to Landlord pursuant to the Prime Lease, Subtenant shall deliver to Sublandlord annually certificates reflecting that Subtenant has obtained and is maintaining the required insurance coverages pursuant to the terms of the Prime Lease.
7. Subtenant Covenants. Subtenant covenants and agrees that Subtenant will not do anything which would constitute a default under the Prime Lease or omit to do anything which Subtenant is obligated to do under the term of this Sublease and which would constitute a default under the Prime Lease.
8. Incorporation of Terms of Prime Lease.
 - 8.1 Compliance with Prime Lease. It is expressly understood, acknowledged and agreed by Subtenant that all of Subtenant's rights under this Sublease are subject to the terms, provisions, conditions and covenants of the Prime Lease and any amendments and modifications thereof. Subtenant shall be subject to and bound by and shall comply with the Prime Lease with respect to the obligations of "Tenant" thereunder, for the benefit of Sublandlord and Landlord, and Subtenant shall satisfy all applicable

terms, provisions, conditions, agreements and covenants of "Tenant" under the Lease to the extent that the terms, provisions, conditions, agreements and covenants of "Tenant" under the Prime Lease do not conflict with the provisions of this Sublease. Subtenant hereby acknowledges and agrees that Sublandlord may exercise any and all rights and remedies granted to Landlord by the Prime Lease, as well as any and all rights and remedies granted to Sublandlord by this Sublease: (a) upon the breach of any of the terms, provisions, conditions, agreements or covenants of the Prime Lease by Subtenant; or (b) upon the failure of the Subtenant to pay any rent under this Sublease, or otherwise to comply with any of the terms, provisions, conditions, agreements or covenants of this Sublease. Subtenant hereby acknowledges that it has read and is familiar with the terms of the Prime Lease and agrees that it has no greater interest in the Premises than Sublandlord possesses under the Prime Lease and that if the Prime Lease is terminated for any reason whatsoever, this Sublease shall terminate.

8.2 Sublandlord's Duties under Prime Lease. Subtenant understands and agrees that, except as herein provided, Sublandlord shall not have any duty or obligation to Subtenant under the Prime Lease other than (i) to perform its obligations under the Prime Lease during the Sublease term and (ii) to make commercially reasonable efforts, upon written notice from Subtenant and at Subtenant's sole cost and expense, to assure that Prime Landlord provides the services and performs the obligations of Landlord under the Prime Lease. In no event shall Sublandlord be liable to Subtenant for any earlier termination of the Prime Lease.

8.3 Sublandlord's Rights under Prime Lease. Subtenant agrees that, in executing this Sublease, Subtenant is subject to the obligations of Sublandlord under the Prime Lease, and Subtenant acknowledges that Subtenant has not been granted any of the rights of Sublandlord under the Prime Lease, such rights being specifically reserved by Sublandlord; provided, however, that all rights of Sublandlord under the Prime Lease that are necessary for Subtenant's beneficial use and occupancy of the Premises, shall, upon the written request of Subtenant and at no cost to, further cooperation of, or liability of, Sublandlord (including, without limitation, no obligation of Sublandlord to pay any financial consideration, incur any expense, or undertake any litigation or other enforcement action in connection therewith) be made available to Subtenant by Sublandlord to the extent permitted by the Prime Lease. Notwithstanding the foregoing or anything herein to the contrary, in no event shall Subtenant have any right of expansion, first offer, renewal or any other similar right granted to Sublandlord under the Prime Lease or any right to have any improvements constructed or installed in the Premises or otherwise to alter the Premises, except to the extent specifically set forth in this Sublease or any right to terminate the Sublease, except to the extent specifically set forth herein.

8.4 Waivers. All waivers of claims against and exculpations of "Landlord" under the Prime Lease shall be in favor of both Sublandlord and Landlord. All notices required to be given by "Tenant" under the provisions of the Prime Lease with respect to the Premises shall be given by Subtenant to both Sublandlord and to Landlord. All actions of Subtenant that require the consent of "Landlord" under the provisions of the Prime Lease shall require the consent of both Sublandlord and Landlord.

8.5 Defined Terms. Capitalized terms not defined in this Sublease shall have the meanings ascribed to them in the Prime Lease.

9. Sublandlord's Remedies. In the event of any default under this Sublease by Subtenant, Sublandlord shall have all of the remedies against the Subtenant that the Landlord has against "Tenant" under the Prime Lease for an event of default.

10. Indemnification. Subtenant shall and hereby does indemnify and hold Landlord and Sublandlord harmless from and against any and all actions, claims, demands, damages, liabilities and expenses (including, without limitation, reasonable attorneys' fees) asserted against, imposed upon or incurred by Landlord or Sublandlord by reason of (a) any violation caused, suffered or permitted by its agents, servants, employees or invitees, of any of the terms, covenants or conditions of the Prime Lease and (b) any damage or injury to persons or property occurring upon or in connection with the use or occupancy of the Premises, except as a result of the acts or omissions of Sublandlord, or its agents, employees or invitees.

11. Assignment and Sublease. Subtenant agrees not to assign, mortgage, pledge or otherwise encumber this Sublease, nor to sublet the Premises or any part thereof.

12. Brokers. Subtenant hereby represents and warrants to Sublandlord that it has not dealt with any broker in connection with this Sublease for the Premises. Subtenant shall indemnify and hold Sublandlord harmless from and against any claim for any brokerage commission or other fees and all costs, expenses and liabilities in connection therewith, including, without limitation, attorney's fees and expenses, arising out of any dealings had by Subtenant without any broker and the breach of representation and warranty contained herein.

13. Entire Agreement. This Sublease contains all of the covenants, agreements, terms, provisions, conditions, warranties and understandings relating to the leasing of the Premises and Sublandlord's obligations in connection therewith, and neither Sublandlord's nor any agent or representative of Sublandlord has made or is making, and Subtenant in executing and delivering this Sublease is not relying upon, any warranties, representations, promises or statements whatsoever, except to the extent expressly set forth in this Sublease. All understandings and agreements, if any, heretofore had between the parties are merged in this Sublease, which alone fully and completely expresses the agreement of the parties. The failure of Sublandlord to insist in any instance upon the strict

keeping, observance or performance of any covenant, agreement, term, provision or condition of this Sublease or to exercise any election herein contained shall not be construed as a waiver or relinquishment for the future of such covenant, agreement, term, provisions, condition or election, but the same shall continue and remain in full force and effect. No waiver or modification of any covenant, agreement, term, provision or condition of this Sublease shall be deemed to have been made unless expressed in writing and signed by Landlord and Sublandlord. No surrender of possession of the Premises or of any part thereof or of any remainder of the term of this Sublease shall release Subtenant from any of its obligations hereunder unless accepted by Sublandlord in writing. The receipt and retention by Sublandlord of monthly base rent or additional rent from anyone other than Subtenant shall not be deemed a waiver of the breach by Subtenant of any covenant, agreement, term or provision of this Sublease, or as the acceptance of such other person as a tenant, or as a release of Subtenant from the further keeping, observance or performance by Subtenant of the covenants, agreements, terms, provisions and conditions herein contained. The receipt and retention by Sublandlord of monthly Base Rent or Additional Rent with knowledge of the breach of any covenant, agreement, term, provision or condition herein contained shall not be deemed a waiver of such breach.

14. Notices. Any and all communications delivered hereunder shall be sent by first class mail: if to Landlord J.C. Two, Inc., 2001 Pavilion Tower Cr., Columbia, SC 29201; if to Sublandlord, 518 Davis Street, Suite 201, Evanston, IL 60201, Attention: Jodi Bridges; and if to Subtenant at Suite 307, 5000 Thurmond Mall, Columbia, SC 29201, or to such other address and attention as any of the above shall notify the others in writing.
15. Severability. Any provision of this Sublease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provisions hereof, and all such other provisions shall remain in full force and effect.
16. Landlord's Consent. This Sublease shall be effective upon obtaining the written consent of Landlord, and it is hereby acknowledged by Sublandlord and Subtenant that Landlord's consent to this Sublease shall not make Landlord or its agent a party to this Sublease, shall not create any contractual liability or duty on the part of Landlord or its agent to the Subtenant, and shall not in any manner increase, decrease or otherwise affect the rights and obligations of Landlord and Sublandlord, as the Tenant under the Prime Lease, with respect to the Premises.

OCT-07-03 03:02 AM

FILE

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P. 02

00:00:07 12:53 PM

P. 1

IN WITNESS WHEREOF, the Landlord and Tenant have duly executed this Sublease as of the day and year first above written.

Witness:

Ronald J. Wiro

LANDLORD
LEAD Foundation, a Virginia
non-profit corporation

By: William L. Bridges (SEAL)
Name: William L. Bridges
Title: Controller

Attest:

TENANT
South Carolinians for Responsible
Government, a South Carolina nonprofit
corporation

By: Todd McLaughlin (SEAL)
Name: Todd McLaughlin
Title: Executive Director

Landlord joins in execution of this Sublease solely to evidence its consent hereto.

LANDLORD:
O.C. Two, Inc.

By: _____ (SEAL)
Name: _____
Title: _____



Lead Foundation
5000 Thurmond Mall
Suite 307
Columbia, SC 29201

To Whom It May Concern:

Landlord will not be signing the attached document provided by Lead Foundation.

Landlord does, however consent to the sub lease agreement requested by Lead Foundation, referencing the Lease between O. C. Two, Inc. and Lead Foundation, dated July 1, 2003 through December 31, 2003.

Sincerely,

Pavilion Management

Internal Revenue Service
Director, Exempt Organizations

Date: March 1, 2004

South Carolinians for Responsible
Government
c/o Susan Leahy
1001 Pennsylvania Ave NW 6th FL
Washington, DC 20004

Department of the Treasury
P.O. Box 2508 - Room 4504
Cincinnati, Ohio 45201

Employer Identification Number:

84-1196518

Person to Contact - ID#:

Dale Schaber 31-03901

Contact Telephone Numbers

513-263-3596 Phone

513-263-4540 FAX

Response Due Date:

March 22, 2004

Dear Sir or Madam:

Before we can recognize your organization as being exempt from Federal income tax, we must have enough information to show that you have met all legal requirements. You did not include the information to make that determination on your Form 1024, Application for Recognition of Exemption Under Section 501(a) or for Determination Under Section 120.

To help us determine whether your organization is exempt from Federal income tax, please send us the requested information by the above date. We can then complete our review of your application.

If we do not hear from you within that time, we will assume you do not want us to consider the matter further and will close your case. As a result, the Internal Revenue Service will treat your organization as a taxable entity. If we receive the information after the response due date, we may ask you to send us a new Form 1024.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Dale Schaber

Dale Schaber
Exempt Organizations Specialist

Enclosure

Letter 1313 (DO)

222-0045

Note: Your response to this letter must be submitted over the signature of an authorized person or of an officer whose name is listed on page 3 of the application. If we do not receive your complete response by the due date, we will close your case temporarily. If you submit your response within 90 days after your case has been closed, we will re-open it for processing and you will neither have to file a new application nor lose your user fee.

PLEASE ATTACH A COPY OF THIS LETTER TO ALL CORRESPONDENCE.

Additional Information Requested:

1. Has your organization conducted any conferences or seminars? If so, please include the dates and places where these activities were conducted. How many people attended and what topics were discussed? In addition, please submit copy of the agenda.
2. If your organization has not conducted any conferences or seminars, when do you plan on having your first conference or seminar? Please provide a detailed description on the topics and issues that will be discussed?
3. Please provide any printed material or brochures about your organization.
4. Please demonstrate how your viewpoints or positions are supported by facts. How are these facts obtained? Do you present the other point of view? Please give examples.
5. Who will conduct the conferences and seminars and what are there qualifications? Are any of these individuals' public elected officials? If so, please indicate their name and the position that they hold.
6. Please provide a breakdown of the expenses on line 9 page 5.

PLEASE DIRECT ALL CORRESPONDENCE REGARDING YOUR CASE TO:

US Mail:

Internal Revenue Service
Exempt Organizations
P. O. Box 2508
Cincinnati, OH 45201
ATT: Dale Schaber
Room 4504

Street Address:

Internal Revenue Service
Exempt Organizations
550 Main St, Federal Bldg.
Cincinnati, OH 45202
ATT: Dale Schaber
Room 4504

POWELL
GOLDSTEIN
FRAZER &
MURPHY LLP
ATTORNEYS AT LAW

ATLANTA ■ WASHINGTON
RESIDENT IN WASHINGTON OFFICE
DIRECT DIAL: (202) 624-7286
SLEAFIN@PGFM.COM

March 23, 2004

VIA FACSIMILE and U.S. MAIL

Internal Revenue Service
Exempt Organizations
P.O. Box 2508
Cincinnati, OH 45201
ATT: Mr. Dale Schaber
Room 4504

INTERNAL REVENUE SERVICE
CINCINNATI, OHIO

MAR 25 2004

RECEIVED
TEGE DIVISION

Re: South Carolinians for Responsible Government
EIN: 54-2123292

Dear Mr. Schaber:

Reference is made to your comment letter, dated March 1, 2004, as it relates to IRS Form 1024 of South Carolinians for Responsible Government, ("Applicant"). Please note that your letter lists an incorrect employer identification number for Applicant. The correct number is: 54-2123292.

This letter also addresses your questions:

1. Has your organization conducted any conferences or seminars? If so, please include the dates and places where these activities were conducted. How many people attended and what topics were discussed? In addition, please submit a copy of the agenda.

Applicant has never conducted any conferences or seminars. Although Applicant stated in its application that it would sponsor conferences and seminars, the Board of Directors has since determined that its educational activities will be conducted via mailings, brochures and through its web site: scresponsiblegov.org.

2. If your organization has not conducted any conferences or seminars, when do you plan on having your first conference or seminar? Please provide a detailed description on the topics and issues that will be discussed.

Applicant does not plan to conduct any conferences or seminars at this time. See response to Question 1.

3. Please provide any printed material or brochures about your organization.

1001 Pennsylvania Avenue, NW Sixth Floor Washington, DC 20004
Tel: (202) 347-0066 Fax: (202) 624-7222
www.pgfm.com

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Please see enclosed.

4. Please demonstrate how your viewpoints or positions are supported by facts. How are these facts obtained? Do you present the other point of view? Please give examples.

Viewpoints or positions are supported by facts obtained from research institutions, publicly available statistical data, and publications. Cited research institutions include Clemson University, the Cato Institute, the Mackinac Center for Public Policy, and the Friedman Foundation. For example, the publication entitled "South Carolina Education Statistics" includes a statistic, the average cost for tuition at a South Carolinian independent school, from a study by The BB&T Center for Economic Education and Policy Analysis at Clemson University. Facts also come from sources such as the South Carolina Executive Budget. Further facts are obtained from such publications as *Forbes*. The publication "School Choice—Exploring the Facts" references a report in *Forbes* examining the impact of the introduction of private vouchers in a school in Albany.

Publications produced by Applicant present the opposing point of view. For example, in the publication "School Choice—Exploring the Facts", Applicant addresses the opposing points of view that the introduction of private vouchers would cause the "best" students to leave each school and that such vouchers would be detrimental to the interests of teachers.

As stated in its application, Applicant is not seeking recognition of exemption under IRC 501(c)(3), since a portion of its activities may include attempts to influence legislation. Educational organizations that engage in legislative activities may qualify for exemption under IRC 501(c)(4). Applicant supports a particular viewpoint, which is consistent with exemption under IRC 501(c)(4). In Rev. Rul. 68-656, 1968-2 C.B. 216, the IRS held that an educational organization organized and operated to inform the public by educational methods on a subject of public interest and concern may be exempt under section 501(c)(4) of the Code even though the subject evokes controversy and even though the organization advocates a particular viewpoint and seeks changes in the law to reflect such viewpoint.

In Rev. Rul. 76-81, 1976-1 C.B. 156, the IRS held that an organization formed to educate the public on the subject of abortions, promote the rights of the unborn, and support legislative and Constitutional changes to restrict women's access to abortion qualifies for exemption under IRC 501(c)(4).

See also, Rev. Rul. 67-293, 1967-2 C.B. 185, and Rev. Rul. 71-530, 1971-2 C.B. 237.

5. Who will conduct the conferences and seminars and what are their qualifications? Are any of these individuals public elected officials? If so, please indicate their name and the position that they hold.

Applicant does not plan to conduct conferences and seminars.

POWELL
GOLDSTEIN
FRAZER &
MURPHY LLP

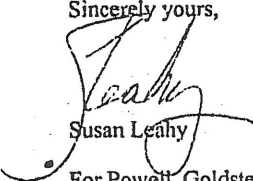
Internal Revenue Service
March 23, 2004
Page 3 of 3

6. Please provide a breakdown of the expenses on line 9 page 5.

Please see attached Schedule of Expenses.

We trust that the above is responsive to your questions. If we can be of any assistance, please do not hesitate to contact the undersigned at (202) 624-7286.

Sincerely yours,



Susan Leahy

For Powell, Goldstein, Frazer & Murphy LLP

0031892311

230 0044

School Choice – Exploring the Facts

Parents Have the Right to Make Decisions for Their Children

Parents, who understand their children's needs best, should determine the criteria by which to judge schools. Opponents of school choice often presume that minority and lower-income parents do not know the difference between good and bad schools and that the government will make better school choices than parents. This condescending assumption ignores the evidence that poor or uneducated parents are just as capable as higher-income, better-educated parents of distinguishing between good and bad schools. The problem is that low-income parents are rarely given the opportunity to do so because 100 percent of their tax money for education is automatically sent to the public school system.

Common sense and experience tell us that most parents in fact do make good decisions with their children's best interests in mind.

School Choice Programs Improve Public Schools

Public schools have many opportunities to be more efficient and responsive to families, and public schools pay attention when school choice is on the table. School choice will introduce competition, which has been credited for improving the academic performance and curricula of public schools, stimulating greater responsiveness to parents and students, and making public schools more financially responsible with the resources they already receive.

For example, in Florida, site of one of the country's newest school choice programs, schools identified as failing are already publicizing their efforts to improve by hiring more teachers, increasing funds for after-school tutoring and lowering class sizes. One superintendent, Earl Lennard, even vowed publicly to take a five percent pay cut if any of his county's schools received a failing grade. Information gathered through the Freedom of Information Act showed that in Escambia County, site of Florida's first two failing schools where vouchers were offered, officials responded to school choice by providing tutoring on Saturday, hiring new teachers and requiring parent teacher conferences each grading period.

School choice has had a similar positive impact on public schools in Milwaukee, Cleveland, San Antonio and Albany. The Milwaukee Public School Board, in addition to closing six schools identified as failing, now guarantees that they will teach kids to read by the second grade or provide a tutor. In Albany, the introduction of private vouchers for every child in Gaffen Elementary School led the school board to replace the principal, hire new teachers, and set aside \$100,000 for books, equipment and teacher training. (Forbes, June 1997)

No study of American public schools exposed to school choice has ever found a decrease in the academic performance of public school students. Ultimately, children benefit when public schools compete because public schools respond positively to competition.

School Choice Will Help Middle and Low-income Families and Students Struggling in Public School

School choice allows all parents the freedom to select the best schools for their children, not just the wealthy parents that can afford to move to better districts or pay tuition at an alternative school. Under the current system, the one-school-fits-all approach precludes equal opportunity and greater options for the majority of children.

The experience of charter schools and other choice programs demonstrates that students who are behind or not being served in their assigned public schools are the ones most likely to exercise choice, not the "best" students.

Evaluations of the Milwaukee and Cleveland programs have concluded that the programs successfully targeted very low-income families, offering them opportunities that they otherwise would not have. The average income of families participating in the Milwaukee program was \$10,860. In Cleveland the average income was \$18,750. In New York it was \$10,540. In D.C. it was \$17,774, and in Dayton it was \$17,681.

Furthermore, research shows that prior to receiving a voucher, the majority of participating students scored well below the national average on standardized tests. In Milwaukee, for example, children scored in the 31st percentile. In New York, children scored in the 27th percentile. In addition, a recent study showed that the majority of charter schools in America serve academically under-served children. Basically, prior to school choice legislation, students who later enrolled in the choice programs performed in the bottom third academically.

Why would the "best" students want to leave a school that is already serving their needs? School choice programs serve the students who need them most. They also level the economic playing field.

School Choice Makes Educators Accountable to Those Who Matter Most

Competition ensures that all schools are ultimately accountable to those who matter most – parents and students. Parents who have choices in education can "vote with their feet" by sending their children to another, better school when their current one is not serving their children's needs. Private schools are also subject to many of the same regulations as are government schools and are routinely held to the same or higher standards of performance than public schools.

Public schools lack real accountability. Many people, particularly policy-makers, confuse rules and regulations with accountability. While it is true that public schools must adhere to many laws, this fact has failed to make schools answerable to the public. As long as children are unable to escape a school system that is failing to meet their needs, real accountability will never exist in the public schools.

Giving parents choices in how and where their children are educated creates a level of accountability that no law will ever generate. Schools that fail to respond to parental concerns will constantly face the prospect of losing students to other schools that do.

School Choice Creates Positive Changes for Teachers

More choices for parents also mean more choices for teachers. Today, if a teacher believes he or she is underpaid, overburdened by red tape, not respected as a professional or otherwise treated poorly by administrators, the only real option is to leave town and move to another school district. This is because the same employer, the school district, operates nearly all the schools in the area. When parents are allowed to choose, schools not only will have to compete for students, they will have to compete for teachers as well. As a result, there will be increased pressure on school administrators to treat teachers well or risk losing them to other schools.

Labor unions that argue against school choice do not necessarily represent the interests of either children or education. Perhaps the strongest reason for unions to oppose school choice is their financial self-interest. Unions stand to lose millions of dollars of dues income as school choice grows. The purpose of school employee labor unions is to bargain wages and terms and conditions of employment for its dues-paying members. It is a mistake to assume that the best interests of labor unions are necessarily the same as those of teachers, parents and students.

For Copyright information and direct sources please refer to "The Case for Choice in Schooling: Restoring Parental Control of Education" by The Mackinac Center, February 2001.

"PUT PARENTS IN CHARGE"
Specific Features and Benefits

Feature	For eligible families, the amount of the tax credit shall be limited to the lesser of 80% of the actual tuition paid or 80% of: \$3,200 for kindergarten; \$4,000 for grades 1 - 8; or \$4,600 for grades 9 - 12.
Benefits	<ul style="list-style-type: none"> Public schools spend an average of over \$8,000 per student and the tax credit is capped at about half of that amount. School districts and the state combined will save approximately \$4,000 for each student that switches to an independent school. This reform cycles those savings into higher per-pupil spending in the public schools. The tax credit caps match the average tuition currently charged by independent schools in South Carolina. Capping the scholarship at 80% of tuition costs provides an incentive to parents in controlling costs and gives parents an incentive to compare prices and shop around for schools. It also saves the state money by reducing the cost of the scholarships and providing an incentive to schools to hold down overall tuition costs.
Feature	During the first year of implementation, eligible children include those who are entering kindergarten or grades 1 - 4 and who were not enrolled in an independent school the previous year. Eligibility goes up to include children through grades 6, 8, 10, and 12 in following four years. Those currently in independent schools are phased in after a two-year deferral.
Benefits	<ul style="list-style-type: none"> This phase-in from the early grades up will invite a focus on early years of education by public and independent schools. Performance in early grades has a large impact on performance in later grades. A phase-in period allows public and independent schools to prepare for changes in enrollment.
Feature	Tax credits are extended to include donations to a Scholarship Granting Organization (SGO), established to help families pay for independent education options. Families eligible for free or reduced-price school lunches are eligible for scholarships of up to 100% of tuition through an SGO, up to the same caps as for direct tax credits. Any 501(c)(3) non-profit organization can establish an SGO by registering with the Department of Education.
Benefits	<ul style="list-style-type: none"> Many families don't have enough of a tax liability to afford tuition at independent schools. This provision is designed to create school choice for them. Many independent schools are 501(c)(3) tax exempt organizations and may choose to sponsor SGOs and provide scholarship assistance to students wishing to attend that particular school or affiliated schools.



South Carolinians
for Responsible Government

Improve All Schools by Putting Parents in Charge

School choice — restoring parents' rights to choose the best school for their children — will *put parents back in charge* of education in South Carolina. The guiding principle of school choice is that parents, not education bureaucrats, understand their children's needs best and have the right to select a school that provides their children the best learning environment.

Parents are entrusted to make vital decisions in nearly every area of their children's lives, but most parents are prevented from making true choices about education. Giving parents choices in how and where their children are educated creates a level of accountability that no amount of funding will ever generate, and helps parents improve all schools by applying their own values and priorities in selecting education options.

"We're committed to education funding reforms that get more dollars down to the front line of the battle - the teacher's classroom. But most importantly, we're committed to freeing up the education marketplace by giving more choices to parents."

Governor Mark Sanford

Putting parents in charge will drive dramatic improvements in South Carolina public schools. As school choice has done in Milwaukee, Florida, Arizona and Michigan, *Put Parents in Charge* will help public schools improve by:

- ✓ Increasing parental participation in their children's education, a factor proven to advance a child's academic performance;
- ✓ Making schools accountable to those who matter most — parents and students;
- ✓ Inciting all schools — through competition — to improve academic performance and efficiency;
- ✓ Increasing the state's per pupil spending average without new revenue sources or increased taxes; and
- ✓ Providing middle and low-income families options that wealthy parents have.



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Frequently Asked Questions

What is school choice?

School choice puts parents back in charge of their children's education. It means restoring to parents the right to be the primary decision makers about where and how their children are educated. Parents, not the education bureaucracy, know what is best for their children.

Why do we need school choice?

Parents have the fundamental right to choose the best schools for their children. And public policy should help every child access a first-rate education.

School choice raises both student achievement and parental satisfaction. Economists have discovered that simply spending more money on traditional government-run public schools does not improve education. In fact, public policy researchers John Chubb and Eric Hanushek have powerfully argued: "In multiple reports that further resources devoted to the problem without structural reform will simply make the nation's schools more expensive, not better. (source: *The Universal Tuition Tax Credit: A Proposal to Advance Parental Choice in Education*, The Mackinac Center)

Our experience in South Carolina merely confirms these insights. Spending on our public schools has risen sharply, over 130% over the past thirty years, and our per pupil spending level of \$8,100 is above the national average. Regulations from Columbia have expanded. But student performance remains among the lowest of any state.

How does "Put Parents in Charge" differ from other school choice plans?

"Put Parents in Charge" does not use public money. This is a school choice model that enables families to use their own income and/or private scholarships to pay for public school alternatives, including out-of-district public schools, home schools, church-affiliated schools and private schools. The law will allow families earning less than \$75,000 per year tax credits against their educational property taxes or income taxes for 80 percent of tuition, up to legislated ceilings. For families living at or below the federal poverty level, tuition costs can be 100% funded.

The ceilings for tuition are: Kindergarten, \$3,200; Grades 1 through 8, \$4,000; Grades 9 through 12, \$4,600. These amounts are indexed to inflation. Schools can charge higher tuition, but amounts above these ceilings are not eligible for tax credits.

How will "Put Parents in Charge" affect our public schools?

"Put Parents in Charge" will help our public school system. School choice saves money because the tax credit ceilings match the average tuition at independent schools in South Carolina, which is about half of the average per-pupil spending of \$8,166 in the public schools. These savings will be left in the public school system to increase per pupil funding.

But the main impact of choice is that it turns parents into customers. School administrators spend too much time pushing paper for bureaucrats and pleading for more money from politicians. When parents have choices, administrators have an incentive to please their customers, and that means providing excellent schooling for their children.

The best research on the impact of school choice on public schools comes from Jay Greene of the Manhattan Institute for Policy Research and Caroline Hoxby, Professor of Economics at Harvard University and director of the Economics of Education Program for the National Bureau of Economic Research. Their research consistently finds evidence that choice programs improve public school performance and attract students who were performing badly in public schools.

How will "Put Parents in Charge" affect church-affiliated schools and home schooling?

"Put Parents in Charge" doesn't use government money. As a result, "Put Parents in Charge" does not invite the government to regulate or intervene with private school, religious schools and home school associations. This also means parents' choices for education will not exclude religious schools. In fact, the U.S. Supreme Court and other courts have ruled that tax deduction/tax credit school choice programs like this one are constitutional and are not a violation of the Constitution's separation of Church and State or Establishment clauses (*Mueller v. Allen*, *Luthens v. Bair*).

Who does "Put Parents in Charge" benefit and how?

School choice currently exists for families who can afford to buy homes in areas with the most desirable public schools, home school their children, or pay tuition at private schools. However, these are not realistic choices for numerous middle and low-income families. "Put Parents in Charge" empowers parents with the right to choose education alternatives that formerly may have been financially out of reach.

Multiple studies show that students who are falling through the cracks in the public school system are most likely to seek independent educational opportunities. In the case of the Milwaukee Choice Program, the "skimming" of only "good" or "desirable" students has not taken place. John Witte, who completed several evaluations of the Milwaukee Choice Program, observed that the program seemed to provide an effective educational environment for students who were not succeeding in the traditional public school.

Furthermore, this bill can boost both state and local economies. Improving the education of our children prepares them to be successful in life, whether they join the workforce immediately or go on to earn a higher degree, and provides employers with a better-educated workforce. States with strong public and independent schools are more capable of growing local companies, and attracting new businesses and new jobs to the area as well.

Here is the impact on key groups:

Parents: Empowered; whether they stay with public schools or choose others, they will be respected customers with real clout.

Students: Students in public and independent schools learn more where parents have choice.

Teachers: Teachers will welcome more parental involvement, and less bureaucratic interference. Schools which now treat all teachers equally and will have an incentive to reward effective teachers.

Local Principals and Administrators: Will be given new arguments to support a focus on educational quality rather than bureaucratic paper shuffling.

South Carolina Education Statistics

• Overall per-pupil spending in S.C.	\$8,100 ¹
• National per-pupil spending average	\$7,800 ¹
• Overall funding for S.C. school districts (2001)	\$6 billion ²
• Percentage of state budget spent on K-12 education	45%
• Amount that made it to the classrooms that year	\$2.8 billion ²
• Federal dollars to S.C. schools in 1996	\$313 million ²
• Federal dollars to S.C. schools in 2003	\$1.2 billion ²
• Increase in federal spending to S.C. since 1996	284% ²
• S.C. high school graduation rate	57% ¹
• Average S.C. independent school tuition	\$4,100 ³
• Median S.C. independent school tuition	\$3,100 ³
• S.C. independent grade schools with tuition below \$4,000 per year	68% ⁴
• S.C. independent high schools with tuition below \$4,600 per year	70% ⁴

¹ 2004-2005 Governor's Executive Budget, (per pupil estimate spending is 03 fiscal year estimate, exclusive of debt service)

² South Carolina Policy Council

³ Cotton M. Lindsay and J. Wilson Newman, BB&T Center for Economic Education and Policy Analysis, Clemson University

⁴ Based on tuition data from 215 independent South Carolina schools

Schedule of Expenses

	2003	2004	2005
Fundraising	\$55,000	\$88,000	\$132,000
Overhead	\$50,000	\$80,000	\$120,000
Salaries	\$25,000	\$40,000	\$60,000
Recruitment	\$100,000	\$160,000	\$240,000
Publications	\$250,000	\$400,000	\$600,000

